

**PROPOSAL FOR COMPREHENSIVE
LONG TERM AGRICULTURAL TRADE REFORM**

SUBMISSION FROM THE UNITED STATES

23 June 2000

In accordance with the long term objective of establishing a fairer, more market-oriented agricultural trading system and procedures agreed at the March meeting of the Committee on Agriculture, the United States hereby submits a comprehensive agricultural reform proposal for correcting and preventing restrictions and distortions in world agricultural markets.

By defining, quantifying, and reducing trade-distorting market access, export competition, and domestic support measures, the Agreement on Agriculture established the necessary conditions for long term reform. The major challenge facing members in this negotiation is to build upon that foundation by accelerating the process of reducing trade distortions while preserving the appropriate role for governments to address agricultural concerns in a non-trade-distorting fashion.

Several factors add urgency to this challenge, including internal pressures on members to conduct serious reform, efforts to reduce budgetary expenditures on agriculture, the development of new technologies, the challenge of promoting sustainable development, and the increasing challenge to the world's farmers and ranchers to feed an expanding population on a shrinking resource base. Coupled with the built-in time schedule in the Agreement on Agriculture, the United States proposes that members reach an overall agreement by the end of 2002 and reach agreement on basic modalities at the midterm of the negotiations in 2001.

The specific elements of the United States' approach entail reforms across all measures that distort agricultural trade and that once adopted will reduce levels of protection, close loopholes that allow for trade-distorting practices, clarify and strengthen rules governing implementation of commitments, foster growth and promote global food security and sustainable development.

The United States believes there are compelling arguments for further reform. Too often and in too many countries, the production and marketing decisions farmers make are still driven by government programs and protections from market access barriers, rather than market conditions. As a result, competitive farmers, ranchers, and processors are denied sufficient access to markets and face subsidized products and the trade-distorting policies of foreign governments, leaving the world with an agricultural market still far from the WTO objective of a fair and market oriented system.

There are many costs associated with trade distortions. Distorting subsidy schemes are a wasteful drain on budgets; along with import restrictions, they misallocate limited resources. Rigid government programs and unscientific regulatory restrictions discourage innovation in production and marketing, threaten the future viability of agriculture, and undermine producers' ability to meet growing food and fiber needs. Barriers to trade foreclose consumer choices and can reduce consumer access to adequate food. Distorting subsidies frequently lead to

environmentally destructive practices, threatening as well farmers' and ranchers' ability to develop efficiently and in a sustainable manner. All of these distortions are especially burdensome for developing countries, and particularly least developed countries, many of whom depend on agriculture for income and employment and who look to trade opportunities to generate economic growth and who depend on the free flow of agricultural products for food security.

While the United States is committed to working through the WTO to eliminate trade-distorting measures, the United States is likewise committed to and supports policies that address non-trade concerns, including food security, resource conservation, rural development, and environmental protection. The United States maintains that these objectives are best met through non-trade-distorting means, with programs targeted to the particular concern without creating new economic distortions, thus avoiding passing the cost of achieving these objectives to other countries by closing markets, or introducing unfair competition, or both. The United States recognizes that trade measures may be used to address legitimate health and safety concerns and does not support opening the Agreement on Sanitary and Phytosanitary Measures to negotiation. The United States also recognizes the special circumstances in and challenges developing countries face and thus will supply proposals to help better integrate them into the world trading system.

The U.S. proposal will increase the market-orientation of world agriculture, providing producers in all countries more opportunities to compete in world markets, on fairer terms, with more access to expanding markets. Not only will domestic policies structured in conformity with the U.S. proposal remove a major source of trade distortion, they will release producers from restrictive government policies that prescribe what and how much to produce, freeing farmers to follow their judgement and the natural carrying capacity of their land. Such an environment will result in expanding economic opportunities for farmers and ranchers and putting farm economies on a more sound basis. At the same time, members adherence to the reforms will alleviate food security concerns by providing greater access to food and enhanced purchasing power. Consumers will benefit from wider choice, access to new products with new benefits, and more competitive prices.

U.S. Proposal: Market Access

The U.S. objective for these WTO negotiations on agricultural market access is to maximize market access opportunities for all countries and to make more uniform the level and structure of tariff bindings for all countries in all products.

The United States proposes:

Tariffs

- to reduce substantially or eliminate disparities in tariff levels among countries, to reduce substantially or eliminate tariff escalation, and ensure effective market access opportunities for all products in all markets;
- to reduce substantially, or eliminate, all tariffs, including in-quota duties, by reducing them from applied rates through progressive implementation of annual reduction commitments over a fixed period;
- to denominate bindings and applied rates on a specific or *ad valorem* basis, without the use of complex tariffs or combinations of tariffs;
- to eliminate the transitional special agricultural safeguard as defined in Article 5 of the Agreement on Agriculture;

Tariff-Rate Quotas

- to subject all tariff-rate quotas to substantial increases through progressive implementation of annual commitments over a fixed period;
- to establish disciplines to improve functioning of tariff-rate quotas, including specific mechanisms that trigger when tariff rate quota fill remains below a fixed level;

Import State Trading Enterprises

- to end exclusive import rights to ensure private sector competition in markets controlled by single desk importers;
- to establish WTO requirements that increase transparency in the operation of single desk importers, including their decisions on quality and source of imports; and

Products of New Technologies

- to focus disciplines to ensure that processes covering trade in products developed through new technologies are transparent, predictable, and timely.

U.S. Proposal: Export Competition

The U.S. objective for these WTO negotiations on agricultural export competition is to eliminate export subsidies and variable export taxes and to discipline export state trading enterprises.

The United States proposes:

Export Subsidies

- to reduce to zero the levels of scheduled budgetary outlays and quantity commitments through progressive implementation of annual reduction commitments over a fixed period;

Export State Trading Enterprises

- to end exclusive export rights to ensure private sector competition in markets controlled by single desk exporters;
- to establish WTO requirements for notifying acquisition costs, export pricing, and other sales information for single desk exporters;
- to eliminate the use of government funds or guarantees to support or ensure the financial viability of single desk exporters;

Export Taxes

- to prohibit the use of export taxes, including differential export taxes, for competitive advantage or supply management purposes; and

Export Credit Programs

- to conduct negotiations for export credit programs in the Organization for Economic Cooperation and Development in fulfillment of Article 10.2 of the Agreement on Agriculture, and apply disciplines to all users.

U.S. Proposal: Domestic Support

The U.S. objective for these WTO negotiations on agricultural domestic support is to reduce substantially trade-distorting domestic support in a manner that corrects the disproportionate levels of support members use, while simplifying the way in which domestic support is disciplined.

The United States proposes building on the key elements of the Agreement on Agriculture, including the *de minimis* principle, and making progress through a fairer and simpler approach to capping, binding, and reducing trade-distorting support. This approach recognizes the legitimate role of government in agriculture. In particular, the U.S. proposal allows for support that is delivered in a manner that is, at most, minimally trade distorting. This could include, among others, income safety-net and risk management tools, domestic food aid, environmental and natural resource protection, rural development, new technologies, and structural adjustment which promote economically sustainable agricultural and rural communities.

The United States proposes:

- to simplify the domestic support disciplines into two categories:
 - N exempt support, as defined by criteria-based measures that have no, or at most, minimal trade distorting effects or effects on production; and
 - N nonexempt support, which would be subject to a reduction commitment;
- all members with a final bound Aggregate Measurement of Support in their schedules commit to reduce the level of nonexempt support as follows:
 - N reductions start from the final bound Aggregate Measurement of Support,
 - N the Aggregate Measurement of Support is to be reduced to a final bound level equal to a fixed percentage of the members' value of total agricultural production in a fixed base period,
 - N the fixed percentage will be the same for all members, and
 - N reductions would be implemented through progressive annual reduction commitments over a fixed period;
- to enhance further, by building on experience, the criteria for exempt support measures while ensuring all exempt measures are targeted, transparent, and, at most, minimally trade-distorting;
- to give special consideration for exempt support measures essential to the development objectives of developing countries as noted under the section on Special and Differential Treatment.

U.S. Proposal: Special and Differential Treatment

The U.S. objective for these negotiations is that developing countries be better integrated into the WTO system through technical assistance, by improving market access opportunities, in particular for least developed countries, and by affording flexibility for exempt support measures essential to development objectives.

The United States recognizes the need for capacity building in developing countries to enhance their integration into and their ability to benefit from the international trading system. In this regard, the United States will work with developing countries to take advantage of the broad range of programs offered by international organizations, bilateral aid agencies, and other entities including programs under the Integrated Framework for least-developed countries. In addition, the United States encourages all members to build upon and expand current activities and improve technical assistance coordination.

The United States proposes:

Market Access

- all WTO members consider products of interest to developing countries, in particular least-developed countries, when making tariff reductions;
- to give special consideration to least developed countries when they implement tariff reduction commitments;

Domestic Support

- to create additional criteria for exempt support measures deemed essential to the development and food security objectives of developing countries to facilitate the development of targeted programs to increase investment and improve infrastructure, enhance domestic marketing systems, help farmers manage risk, provide access to new technologies promoting sustainability and resource conservation and increase productivity of subsistence producers; and

Technical Assistance

- that WTO members intensify ongoing technical assistance through governmental and non-governmental entities in parallel with these negotiations.

U.S. Proposal: Food Security

The U.S. proposal is a food security proposal. The United States believes, in addition to the non-trade distorting domestic support measures countries take to enhance their food security, further liberalization of trade in agricultural products and promoting legitimate assistance programs are important elements in strengthening food security. Trade liberalization will enhance important efforts on food security underway in several venues, including the Food Aid Convention, the United Nations Food and Agriculture Organization, and the World Food Program. In addition to specific disciplines which expand sources of supply and encourage efficiencies in agricultural production, trade reform will result in economic growth and spur innovation, expanding global food security. It is important to recognize that liberalization alone will not address food security needs in all developed and least developing countries. As a consequence, the negotiations need to take into account the continuing role of international food aid and credit programs in providing for food import needs.

The United States proposes:

- to renew the commitment to food aid as expressed in the Uruguay Round's "Decision on Measures Concerning the Possible Negative Effects of the Reform Program on Least Developed and Net Food-Importing Developing Countries";
- to continue the WTO disciplines on food aid contained in Article 10.4 of the Uruguay Round Agreement on Agriculture, which have proven to be appropriate;
- the disciplines to be developed at the Organization of Economic Cooperation and Development for agricultural export credits and credit guarantees should not prevent WTO members from using such programs to improve the food security status of other members;
- to establish export reporting systems in all members to increase information on the level and direction of international grain and oilseed transactions; and
- to strengthen substantially WTO disciplines on export restrictions to increase the reliability of global food supply.

Proposal: Sectoral Initiatives

The United States proposes that WTO members engage in sector specific negotiations to agree on reform commitments beyond those generally applicable in the areas of market access, export competition, and domestic support, including, but not limited to, zero-for-zero and harmonization initiatives.